

Langstane Housing Association Ltd

29 March 2018

This Regulation Plan sets out the engagement we will have with Langstane Housing Association Ltd (Langstane) during the financial year 2018/19. Our regulatory framework explains more about our assessments and the purpose of this Regulation Plan.

Regulatory profile

Langstane was registered as a social landlord in 1977. It owns and manages 2,828 homes in Aberdeen City, Aberdeenshire and Moray and employs 85 people. It has charitable status and one unregistered subsidiary, Stockethill Homes Ltd which manages a small number of mid-market rent properties.

In 2017 the tenants of Langstane's registered subsidiary, Next Step Homes Ltd, agreed to a proposed transfer of engagement to Langstane. This took place on 31 March 2017 and Next Step Homes was removed from the Register of Social Landlords on 31 January 2018.

As at 31 March 2017 Langstane's turnover for the year was over £14.4 million and its debt per unit was £15,396.

Engagement

During 2017/18 we engaged with Langstane about its business plan and asset management updates and supporting financial information to gain assurance around its strategic direction and financial capacity to deliver its objectives. We also reviewed its progress in meeting the Scottish Housing Quality Standard (SHQS) and its work on rent affordability. We met with Langstane's Chair and members of the senior management team to discuss the risks and challenges with Langstane's plans.

2018/19 priorities for Langstane include implementing a new business plan, progressing further work on rent affordability and achieving SHQS compliance for the remaining 19 non-compliant properties by May 2018. Langstane has also reviewed the potential range of activities which could be carried out by the group and will take forward proposals to revise its subsidiary structure to accommodate this.

Langstane is one of the larger developers of new affordable housing in Scotland and receives significant public subsidy to help achieve this. Langstane is currently reviewing its development plans, including its strategies to support and deliver its affordable housing programme. This will see Langstane continue to grow through a considerable programme of new homes for social and mid-market rent.

Last year Langstane became aware of weaknesses in its approach to financial management and control. Langstane continues to work openly with us while it addresses the weaknesses and has made good progress in implementing an action plan to deliver the required improvements. As part of this plan, Langstane will assess its overall compliance with the Regulatory Standards of Governance and Financial Management.

Our engagement with LangstaneHousing Association Ltd in 2018/19 – Medium

We will engage with Langstane about the development of its strategic and financial plans and the actions it will take to assess and ensure compliance with the Regulatory Standards.

1. Langstane will provide monthly updates on:
 - progress with implementing the financial management action plan, including updates on its strategy to support and deliver the development programme and any further updates as required; and
 - progress with assessing compliance with the Regulatory Standards of Governance and Financial Management and the outcomes from this.
2. We will:
 - discuss progress with the action plan with senior staff monthly and discuss any further updates as required; and
 - as part of this process, consider the review of compliance against the Regulatory Standards, provide feedback and review our engagement as necessary.
3. Langstane will send us by 30 June 2018:
 - its approved business plan;
 - 30 year financial projections consisting of statement of comprehensive income, statement of financial position and statement of cash flow complete with assumptions and explanatory narrative;
 - financial sensitivity analysis which considers the key risks, the mitigation strategies for these risks and a comparison of the resulting covenant calculations with the actual current covenant requirements;
 - the report to the Board in respect of the approved 30 year projections, sensitivity analysis and covenant compliance;
 - an update on its rent affordability strategy;
 - an update on SHQS compliance; and
 - its approved development strategy.
4. Langstane will send us an update on its development programme by 31 October 2018. This will include details of the units and tenure types to be delivered, timescales, completions and any material delays or changes to the programme.
5. We will:
 - meet with senior staff to discuss the business plan, the financial information and other information Langstane supplies in quarter two of 2018/19;
 - review SHQS compliance and engage as required; and
 - review the development update in quarter three of 2018/19.
6. Langstane should alert us to notifiable events and seek our consent as appropriate. It should provide us with the annual regulatory returns we review for all RSLs:
 - audited financial statements and external auditor's management letter;
 - loan portfolio return;
 - five year financial projections;
 - Annual Return on the Charter; and
 - the return on the Energy Efficiency Standard for Social Housing.

This plan will be kept under review and may be changed to reflect particular or new events. The engagement strategy set out in this plan does not restrict us from using any other form of regulatory engagement to seek additional assurance should the need arise. Our regulatory framework and other relevant statistical and performance information can be found on our website at www.scottishhousingregulator.gov.uk.

Our lead officer for Langstane Housing Association Ltd is:

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We have decided what type of engagement we need to have with this organisation based on information it provided to us. We rely on the information given to us to be accurate and complete, but we do not accept liability if it is not. And we do not accept liability for actions arising from a third party's use of the information or views contained in the Regulation Plan.